

Message Text

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PAGE 01 STATE 060224
ORIGIN EUR-12

INFO OCT-01 ISO-00 EB-08 FMC-01 CTME-00 L-03 CG-00
DOTE-00 CIAE-00 INR-10 NSAE-00 COME-00 DLOS-09
/044 R

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APPROVED BY EUR/SOV:MGARRISON
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EB/MA:CTAYLOR
FEDERAL MARITIME COMMISSION:APANKOP
FMC:RSKALL

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P 090118Z MAR 78
FM SECSTATE WASHDC
TO AMEMBASSY MOSCOW PRIORITY
AMCONSUL LENINGRAD

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E.O. 11652: N/A

TAGS:EEWT, EWWT, UR, US

SUBJECT: INSURANCE PROBLEM OF SOVIET PASSENGER SHIP

1. ON MARCH 7 THE FEDERAL MARITIME COMMISSION REQUESTED THE CUSTOMS SERVICE OFFICE IN LOS ANGELES TO HOLD THE SOVIET PASSENGER VESSEL, MIKHAIL LERMONTOV, IN PORT THERE, BECAUSE THE SHIP'S CERTIFICATE OF FINANCIAL RESPONSIBILITY HAD LAPSED ON MARCH 5. UNDER THE PASSENGER VESSEL SAFETY ACT PASSENGER-CARRYING SHIPS REGARDLESS OF FLAG ARE REQUIRED TO HAVE INSURANCE CERTIFICATION AS TO PERFORMANCE AND CASUALTY. THIS REQUIREMENT IS SUMMARIZED IN SECTION IV B OF THE "MEMORANDUM ON US PORT PROCEDURES AND OTHER MATTERS" (TIAS 8195, PAGE 40) WHICH IS INCLUDED WITH THE US-USSR
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MARITIME AGREEMENT.

2. ON THE EVENING OF MARCH 7 THE SOVIET EMBASSY REQUESTED THAT DEPARTMENT INTERVENE WITH FMC SO THAT LERMONTOV WOULD BE ABLE TO LEAVE LOS ANGELES THAT DAY AS SCHEDULED. SOVIET EMBASSY SAID LERMONTOV WOULD BE LIABLE TO PAYMENT OF EXTRA COSTS AND CHARGES IF IT DID NOT LEAVE ON TIME. THE EMBASSY

STATED THAT AMBASSADOR DOBRYNIN PERSONALLY GUARANTEED INSURANCE CERTIFICATION. WITHOUT MAKING ANY COMMITMENT, DEPARTMENT PROMISED TO DISCUSS THE MATTER WITH THE FMC.

3. FMC OFFICIALS MADE CLEAR TO DEPARTMENT THAT NON-ENFORCEMENT OF LAW WAS IMPOSSIBLE. FMC HAD NOTIFIED SHIP'S AGENT, MARCH SHIPPING, ON FEBRUARY 3 THAT INSURANCE COVERAGE WOULD LAPSE IN A MONTH AND HAD REMINDED THE AGENT SEVERAL TIMES THEREAFTER BY LETTER AND BY TELEPHONE. MARCH SHIPPING SAID THAT IT HAD NOTIFIED THE SOVIETS BUT RECEIVED NO RESPONSE. FMC ALSO NOTED THAT LERMONTOV HAD PICKED UP PASSENGERS IN SAN FRANCISCO AND SUBSEQUENTLY AFTER THE CERTIFICATE HAD LAPSED IN LOS ANGELES AND WAS ABOUT TO DEPART FOR AUSTRALIAN WATERS, THUS PASSING OUT OF US CONTROL. IN ADDITION THE FMC POINTED OUT THAT ONLY A FEW WEEKS EARLIER IT WAS PREPARED TO OBTAIN A COURT ORDER AGAINST A US-FLAG SHIP, THE MARIPOSA, OWNED BY THE FIRM, PACIFIC FAR EAST LINES, BECAUSE OF THE SAME QUESTION OF CERTIFICATION. THE HOUSE MERCHANT MARINE AND FISHERIES COMMITTEE HAD HELD HEARINGS ON PFEL'S BANKRUPTCY AND WAS AWARE OF THIS MATTER. FMC MADE CLEAR THAT, HAVING ENFORCED THE LAW AGAINST A US-FLAG SHIP, IT WOULD DO THE SAME IN THE CASE OF A FOREIGN FLAG SHIP, LIKE THE LERMONTOV.

4. SUBSEQUENTLY ON EVENING OF MARCH 7 FMC AND THE DEPARTMENT LIMITED OFFICIAL USE

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MENT OFFICIALS EXPLAINED THE MATTER TO ANATOLIY ZHUK OF SOVIET EMBASSY BY TELEPHONE. THEY RECOMMENDED TO ZHUK THAT PROPER COVERAGE BE OBTAINED AS SOON AS POSSIBLE SO THAT THE LERMONTOV COULD BE ON ITS WAY. AFTER ASSURING HIMSELF THAT THERE WAS NO ALTERNATIVE TO COMPLIANCE WITH THE LAW, ZHUK SAID HE WOULD BE IN CONTACT WITH MARCH SHIPPING IN THE MORNING. AS OF 5:00 P.M. EST LERMONTOV WAS STILL IN LOS ANGELES.

5. FYI. INSURANCE COVERAGE FOR THREE SOVIET PASSENGER SHIPS, THE LERMONTOV, THE ODESSA, AND THE KAZAKHSTAN WAS PROVIDED BY AN INSURANCE GROUP KNOWN AS THE UNITED KINGDOM BERMUDA CLUB. COVERAGE FOR ALL THREE OF THESE SHIPS HAD LAPSED AT ABOUT THE SAME TIME; IT WAS REINSTATED FOR THE ODESSA AND THE KAZAKHSTAN BUT NOT FOR THE LERMONTOV. END FYI.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: INSURANCE, SHIPS, MARINE TRANSPORTATION, PASSENGERS, MIKHAIL LERMONTOV
Control Number: n/a
Copy: SINGLE
Draft Date: 09 mar 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978STATE060224
Document Source: CORE
Document Unique ID: 00
Drafter: JTREICHEL:PJP
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D780105-0922
Format: TEL
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780387/aaaacvnr.tel
Line Count: 111
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 68694cca-c288-dd11-92da-001cc4696bcc
Office: ORIGIN EUR
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 05 may 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: N/A
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 3385349
Secure: OPEN
Status: NATIVE
Subject: INSURANCE PROBLEM OF SOVIET PASSENGER SHIP
TAGS: EEWT, EWWT, UR, US
To: MOSCOW LENINGRAD
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/68694cca-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014